

Workforce Competitiveness Assessment in Tajikistan

Global Workforce in Transition Project

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Introduction

At the request of the USAID Eastern Europe and Eurasia Bureau, the Workforce Competitiveness team under the USAID Global Workforce in Transition IQC (GWIT), traveled to Tajikistan to present strategic options for improving workforce competitiveness in Tajikistan and to test the applicability and receptiveness of local leaders to a variety of initiatives that have been successfully implemented in other countries. The diagnostic assessment is also intended to provide recommendations to the mission on how to address workforce competitiveness challenges within its country strategies.

Prior to arriving in country, the team reviewed a number of studies on Tajikistan's economy, labor market and education system. An advance team worked in country during the week of November 8 to prepare for the assessment and the actual assessment was conducted November 15-18, 2004. In country, the team met with USAID officials, conducted individual interviews with local leaders in Dushanbe and Khujand, and convened a meeting with the interagency working group on vocational education and EU representatives assisting this group. This roundtable meeting was intended to energize local leaders around workforce competitiveness issues and leave them with practical approaches they can implement.¹

Key Findings on Tajikistan's Labor Market

Tajikistan's labor supply greatly exceeds demand and a growing population is increasing pressure for new job creation. According to the Ministry of Labor and Social Protection of the Population, Tajikistan's unemployment rate is 11%, but the World Bank estimates that the real unemployment rate is closer to 33% because of hidden unemployment due to part-time employment and forced holiday leave.² The Ministry estimates that 150,000 new jobs (representing a 14% growth rate over the base of existing jobs) are required each year just to keep up with workforce growth. This goal is out of reach given Tajikistan's current 4-5% economic growth rate, which only generates 42,000 new jobs in companies. The Ministry estimates that 90% of the workforce is earning \$10-30 a month which is less than the poverty level (estimated by the government to be \$50/month per person).³ Therefore, workers are forced to supplement their incomes in the grey economy. Labor migration provides some relief to employment situation. The Ministry estimates that 10% of the active labor force is working in Russia. As of 2003, 500,000

¹ See attached list of people interviewed for this assessment.

² World Bank, Republic of Tajikistan Poverty Assessment, June 29, 2000

³ The Ministry of Labor and Social protection of the Population has proposed a minimum wage for the last 3 years, but this has not been enacted by Parliament.

Tajiks had permanently emigrated to other countries causing a significant “brain drain,” and that another 420,000 work as temporary migrant workers, with 93% of these workers in Russia. Seventy percent of labor migrants are 18-29 year old males and another 12% are women. This is having a devastating effect on family cohesion and is challenging traditional roles of men and women in Tajik society. In addition, most migrant workers are relatively unskilled and therefore earn low wages, often in construction in other countries. Therefore, skill training could increase their earning potential and also help increase remittances.

The demand side of the labor market is weak. Without strong private sector demand, the job market will remain weak. The major impediment to private sector development and job creation by entrepreneurs is a weak and dysfunctional business environment. The economy remains very isolated. Privatization is not complete. Small businesses face many impediments to business start up, formalization and credit access. Contract enforcement and a functioning judicial system for commercial cases needs to be improved. There is a weak business services sector. Few companies use computers or access the Internet. They lack information on changing markets and technologies. Companies tend to hire relatives regardless of their qualifications. Technical skills are out of date and there is a shortage of market-oriented “enterprise management” and ICT skills including such areas as security and data base administration. One person interviewed suggested that farmers generally know how to grow things (although not efficiently since Soviet era books teach them out-of-date approaches), but they don’t know what to grow for the market. Most of all, people lack flexible mind sets that enable them to solve problems and adapt to new conditions in a market-based economy. There are many limitations in the business environment that were evident from the interviews conducted.

Some positive news was evident. The food and restaurant business is a growth sector, starting from a modest base. Agriculture is growing because of privatization and because people look to the land for economic security in light of not having other job prospects. Agriculture is slated to be fully privatized by 2005. But the sector depends highly on cotton where production itself is not highly efficient and where some of this land could have higher value uses.

In manufacturing, the apparel sector is based on low cost labor and historical commercial relations with Russia. The sector has been slow to modernize. The expiration of quotas for apparel and textiles as of January 2005 will exert further competitive pressures. The largest apparel exporter seemed unaware of global market realities facing their industry. Other light manufacturing opportunities in food manufacturing could assist in increasing local value added and jobs.

The construction industry also offers potential near-term and medium-term job possibilities not only for regional construction projects, but also when demand for residential rehabilitation and construction improves (the general state of housing is often dilapidated). These jobs will also provide opportunities for relatively unskilled labor.

The services sector, including business support services, information technology and tourism will be growth areas for Tajikistan but all are relatively under-developed.

Much of the employment growth is in the informal sector, suggesting challenges to be resolved in the business environment. Our study recommends that USAID *not* target specific clusters or utilize a “cluster competitiveness” focus because clusters are too undeveloped in Tajikistan relative to other countries where USAID has implemented such projects. Rather, it is of higher priority to address the overall business environment constraints. USAID should therefore help the GOT identify policy and institutional reforms that could lead to strong business formation and job growth *across the board*.

Capacity on the supply side of the labor market is generally poor, but some reforms are underway. While there is virtually universal primary school enrollment (97%) and 85% enrollment in lower secondary school, enrollment rates in grades 6-11 have decreased dramatically. Poor students face greater barriers to accessing education and have higher absentee rates than the rest of the population.⁴ Young women drop out of school to get married and young men drop out to go to work. Many students get diplomas without attending classes by paying schools and teachers the fees and contributions associated with their respective programs. Although the government plans to purchase computers and make computer classes available in all schools by 2007, there are no specific plans related to teacher training for this initiative.

Vocational schools are under-resourced and not equipped to respond flexibly to changing labor market requirements. Physical plant and equipment is out-dated, teachers lack modern skills, and the training provided is for low skill, low wage jobs. For example, the vocational school we visited in Khujand trained carpenters, drivers, hair dressers, auto mechanics and small appliance repairers. Despite the poor quality of training, the school had a 70% entered employment rate.

Despite the good efforts of EdNet to close the gap between higher education and business, people interviewed for this assessment indicated that higher education institutions and training providers are still, for the most part, not responsive to the emerging needs of the private sector. Linkages between industry and universities and training institutes are generally weak and poor educational capacity (teachers, facilities) makes it difficult for the system to innovate. In part because of graduates don't have skills needed in the marketplace and in part because of inadequate market demand, half of the 24,000 annual university graduates cannot find a job and 8-10% of the unemployed are university graduates.⁵ Although private universities are allowed by law, none currently exist. There are, however, a few commercial centers in Dushanbe that provide ICT and English training; none is licensed in Microsoft or Novel systems.

Notwithstanding, the Tajik Agrarian University does some customized training based on company needs (about half of the students attend based business and individual payment and half on government bids), teachers serve as consultants to industry mostly on a gratis

⁴ World Bank Poverty Assessment

⁵ Ministry of Labor and Social Protection of the Population

basis, and there is an alumni association that connects students to graduates who can give them feedback on market demands.

One of the brighter spots on the educational horizon is the highly selective Technological University which seems to have the right attitude and appears to be innovating to meet the evolving needs of business. The university, which is part of the Ministry of Industry, trains professionals in 21 specialties in 5 schools: engineering and technology; textiles; economics and engineering; information and communications; and international relations. Joint ventures with industry provide practicum opportunities for students. Instruction is in Tajik, Russian and English. In the last four years, 100% of graduates have obtained jobs—about a third with government and the remainder with international organizations and private companies. The students are well-dressed, the atmosphere is disciplined and the students seemed highly motivated.

The GOT has made employment creation a top priority, but government efforts will not be adequate to address the employment gap. The Ministry of Labor and Social Protection for the Population is using its limited resources to help address the job deficit problem and reform the country's out-dated vocational education system. The Ministry's employment plan is that each year Employment Centers under the Ministry's jurisdiction will:

- Work with companies to create temporary paid employment for 20-22,000 people;
- Provide short-term training and retraining for up to 6 months and participation in job search clubs for 5000 unemployed people;
- Provide access to micro-credit for 1200 unemployed people so enable them to set up their own businesses; and
- Place 500 disabled individuals in jobs.

The Ministry also licenses 9 private companies to place people in other countries, but these companies are weak. Tajik workers must pay \$150 to obtain a Russian work permit and they face visa, corruption and other problems in trying to work in other countries.

The Ministry of Labor and Social Protection for the Population is leading reforms to improve the quality of vocational education to better prepare students for higher level occupations and to build connections between schools and employers. Currently, partnerships exist with a large textile company and a chemical plant. These reforms are being designed and implemented with assistance from the European Training Foundation through the European Union's TACIS program. One of the problems is that no labor market survey on current and future skill needs has been done in Tajikistan since the collapse of the Soviet Union.

Recommendations

USAID should make workforce development a major focus of its development assistance to have a highly leveraged impact on priority concerns. This would address the GOT's top priority while helping at-risk population groups in ways that

contribute to long-term economic growth. USAID has existing and potential resources to contribute directly to workforce competitiveness through a) the private sector, b) education and training providers, c) policy and institutional reform and d) fostering linkages among the key actors in these three areas. Furthermore, there are particular industry and regional initiatives that could make an impact on sustainable job creation. If USAID/Tajikistan does not have the financial and human resources to make workforce development a specific focus, it can still make a stronger impact on this important objective by amending existing projects in ways that will be specified below. The recommendations below begin with “minor adjustments” and proceed to potential stand-alone initiatives.

Actions that can be taken through existing projects

1. Task existing business assistance contractors with responsibility for strengthening linkages between business and education. USAID business assistance contractors consistently told us of the need for changes in the country’s education system to better meet the needs of Tajikistan’s farmers and other businesses. Yet, rather than working to improve the responsiveness of local educational institutions, contractors bring in their own international consultants to deliver needed training. As their contracts are currently structured, these contractors don’t have the resources, staff or performance goals that allow them to devote the time necessary to promote linkages between educational institutions and the businesses with whom they work.

The Mission should either build this brokering or “intermediary” function into business assistance contracts or, as discussed below, housing this function in either the participant training program or a separate project.

In addition, the Mission should instruct existing grantees and contractors to add one or two days to scopes of work of technical consultants coming into Tajikistan under its various agriculture and business assistance projects to “download” and diffuse their expertise and conclusions through local educational institutions, think-tanks and the media. For example, consultants should provide a brief presentation to the relevant agricultural, economic or business faculty or technical institute and develop a press release prior to departure. Consultants focusing on agriculture, management and economic reform should leave behind a 1-2 page case study. These in turn would be translated by local professors who would, with very modest sub-grant funding, turn these into case studies and training modules that can be used in subsequent courses. The selection of assignments for consultants could also be influenced by the impact it will have on upgrading education and training institutes. Educators are hungry for new material and it is important to influence the mindsets of the next generation and those teaching them.

2. Make business and workforce development a priority for participant training.

This can be done in the following ways:

Earmark resources to support the “workforce intermediary function.” This will allow USAID contractors to draw down flexible resources that can be used to hire expert international or local consultant to broker relationships between businesses and local educational institutions and potentially other service providers to design and implement solutions to specific workforce problems such as attracting and retaining qualified workers or upgrading the skills of current workers so that new production processes can be implemented.

Provide short-term training for groups of leaders in business, government and education to promote them as first adopters and change agents. For example, staff from the ministry of labor and education could be brought to the US to gain first-hand exposure to demand-driven education and training models such as those provided through community colleges and state customized training programs to support SME and local economic development. Traditional clan-based councils and other local leaders could be trained in strategies for promoting local economic development and exposed to ideas that would increase the value placed on education, especially for girls.

Support participation of key Ministry of Labor staff in USDOL Bureau of Labor Statistics training. The Ministry of Labor has requested assistance in improving its labor market analysis capacity. The BLS training may be a good way to respond to their request. The following link takes you to the schedule of international training seminars to be held in Washington DC during 2005. There is also an option for overseas seminars that could be held on a regional basis. <http://www.bis.gov/itc/home.htm#overview> The Once these staff are trained, USAID should assist the Ministry of Labor in conducting an assessment of the demand for higher level skills and labor that Tajik migrant youth could fill in Russia and other countries.

Actions That Should be Taken Under the Mission’s New Strategic Plan

Develop a New Strategic Objective

Given the dire employment situation in Tajikistan, the Mission should build on these initial steps and make employment growth and workforce competitiveness a cross-sector strategic objective under its 20006-2010 strategic plan. In this way, resources from the economic growth, education, democracy and conflict mitigation and health portfolios could be brought to bear on this critical policy area and new projects such as the following could be initiated:

Implement a New Economic Growth Project Focused Around Improving Performance in World Bank/IFC “Doing Business” Benchmarks

Second only to political instability and civil conflict, the major impediment to sustainable job creation in the private sector is the dysfunctional and unduly restrictive business environment. USAID will shortly have a roadmap that charts and documents these obstacles in the World Bank’s “Doing Business 2005” report. This report compares more

than 130 countries on the basis of quantitative indicators of business regulation related to starting a business, hiring and firing workers, enforcing contracts, getting credit, and closing a business. In 2005, the report will include Tajikistan and cover additional areas of regulation. The World Bank documents the situation but this has yet to be turned into an instrument of change. USAID/Washington would like to see missions focusing on helping countries improve its rankings and remove barriers to entrepreneurship and private sector development. USAID/Tajikistan has the opportunity to be one of the first missions to address this in a systematic way. USAID should begin by working with Tajik business associations to convene a series of forums on labor market and other regulatory issues to coincide with publication of the 2005 report. These forums should be designed to facilitate public-private and interagency dialogue on ways to improve Tajikistan's standing in the rankings. If the forums were held throughout the country, they could help generate bottom-up pressure for tax and labor market reform and other actions to improve the country's workforce competitiveness. The project should support staff and a small grants program to enable these organizations to forge linkages between business and education institutions at all levels to make the system more responsive to Tajikistan's changing economic priorities. The project should also enhance the capacity of these organizations to conduct labor market analyses. Without wholesale improvements in the business environment it will be hard for Tajikistan to develop competitive industry clusters. As the World Bank will continue to document progress in years to come, USAID would benefit from this monitoring and evaluation function and could judge the effectiveness of its interventions.

Develop a *Tajikistan Works* e-Biz Center

The Mission should support a pioneering center that uses technology to link job creation efforts with job training and job placement activities. This *Tajikistan Works* Center would use workforce development and ICT strategies to achieve six major objectives:

1. Reduce unemployment through growth of employment and entrepreneurship, especially high value-added opportunities
2. Improve the ability of SMEs to offer new, high value-added products and services on a scale that is demanded by the global market
3. Advance opportunities for improving communications between educational and business communities
4. Increase rates of secondary school and university graduates who become entrepreneurs or obtain high quality jobs
5. Help to improve governmental policies and programs that aim to reduce unemployment
6. Foster systems that enable businesses to obtain skills that meet international standards

The project would use the process developed in creating e-Biz centers elsewhere to:

- Identify the demand, i.e., the skills, products and services in which Tajikistan has, or potentially can create, a competitive advantage
- Define the *Tajikistan Works* offerings, and the high impact ICT applications that make possible provide those offerings

- Establish a pilot *Tajikistan Works* e-BIZ Center through a competitive, transparent process to identify one or more consortia of companies interested in investing in, owning and operating a *Tajikistan Works* e-BIZ Center
- Work with the consortium/consortia to develop a well-conceived business plan for the pilot *Tajikistan Works* e-BIZ Center, with fee-based core offerings that utilize ICT applications
- Work with the consortium to create the *Tajikistan Works* e-BIZ Center and over time build it into a network of strong, sustainable companies with significant value-added offerings for individuals, businesses, and government

Potential services that would be offered on a fee basis include the following:

- Short-term certificate training in occupations that will generate large numbers of jobs, particularly high value-added jobs
- IT certification training (Microsoft, Intel etc)
- Job finding clubs
- Internet-based information referral and placement services for employers and job seekers
- Industry-specific internet based services, i.e., access to market information, a marketing portal, applications in farming, food processing
- Out-sourced IT support function for groups of SMEs, schools, government, international assistance agencies
- IT-related training for USAID projects, i.e., health information technician
- Out-sourced human resources, management and training consultation (in the longer-term as demand for such services develops)

Implement a Youth Employment Project Targeting In- and Out-of-School Youth

Young people are increasingly dropping out of school because of poverty and becoming migrant workers. Half of university graduates are unemployed. These youth are vulnerable to trafficking and becoming involved in a myriad of illegal activities. High youth unemployment and under-employed is threatening family formation and political stability. USAID should consider implementing a youth employment project that would have the following components:

A “school-to-work” program at the secondary level that creates a pathway to “good jobs” in Tajikistan and potentially other countries. The program, modeled on successful programs in the US and other countries, would be directed at young men and women at-risk of dropping out of school. It would involve: project-based learning within the context of an industry (such as agriculture or IT) to teach higher order academic, technical and employability skills; real and/or virtual internships in this industry for students and teachers; the provision of career information and career exploration opportunities to broaden students horizons and make them aware of skills in demand in the international marketplace; and job placement activities, including jobs in Russia and other countries. As appropriate, it could include a school-based enterprise through which students learn entrepreneurship skills and provide links to micro-finance and post-program technical

assistance for graduates starting their own businesses. The program would be designed based on an analysis of labor market demand.

A network of student run career centers for university students that would organize career days and alumni associations, and facilitate communication among students interested in joint entrepreneurship ventures. They would collect and make available information on jobs, service opportunities, apprenticeship, and fellowships. The possibility of creating an internet portal for this purpose or linking to an existing one in a neighboring country could be explored.

An employment program for out-of-school youth that combines youth service (i.e., building needed infrastructure, rehabilitating houses, or addressing environmental issues in rural or urban areas), training in technical skills relevant to this activity (i.e., construction or agricultural skills), youth leadership development, basic skills instruction and entrepreneurship training with access to micro-credit. A successful model for such a program is the US-based YouthBuild program that is currently being adapted in Mexico and South Africa.

Support regional construction training initiative using training capacity in Tajikistan to provide training for Tajik, Afghan and Kyrgyz trainees

This idea is a priority of the Minister of Labor because it would build and enhance Tajikistan's training capacity in this area and leverage resources going to reconstruction and road construction efforts in Afghanistan and the region. It would also potentially lead to joint ventures and expanded trade with neighboring countries. The project could be linked to, or incorporate the youth-related options discussed above. These results are consistent with USAID's broader political and development objectives in the region. The German's are presumably interested in supporting such a project so there is the potential for multi-donor collaboration.

Establish an American University of Tajikistan (AUT) (or modest equivalent)

We were repeatedly told of the lack of people with adequate skills in accounting, computers, English, and management. Given the demand for graduates in these areas, the AUT could start with intensive training in these areas. The AUT could be set up as a satellite campus of American University of Central Asia or modeled after the American University of Kosovo, which seems to operate successfully within a small, politically unstable market.

Conclusion

The creation of sustainable, productive and economically viable jobs is the number one priority facing Tajikistan after its achievement of political stability and the cessation of civil conflict. USAID can play a key role in helping to spur the demand side of the labor market through private sector development; the supply side by helping education and training providers become more responsive to the private sector, contributing to linkages through E-Biz centers; and by helping to spur policy and institutional reforms that contribute to the development of a competitive workforce and more flexible labor market.

Improving the business environment is the highest priority. Without jobs, training contributes only to the frustration and the exodus of Tajiks from their homeland. USAID can implement a program designed to address the deficiencies documented in the World Bank's *Doing Business 2005*. USAID can also strengthen education and training providers and help develop an E-Biz center linking people to jobs.

Attachment

People Interviewed for the Workforce Competitiveness Assessment

Government of Tajikistan

Dr. Subhon B. Ashurov, Ministry of Labor, Deputy Minister of Labor, (372) 36-24-61, ministry2@job.tj

Mr. U. Asoev, Ministry of Labor, Head of Labor Market Department, 36-24-25

Nasim Gaffarov, Development Fund, Chairman, (10-992-34-22-66749, mf_devfd@sugdinter.com

Dr. Saidali M. Gulov, Ministry of Agriculture, Tajik Agriculture University, Vice Rector, Professor of Biological Science and Horticulture, (992 372) 24-38-38

Mr. M. Ilolov, Ministry of Labor, Minister of Labor, 36-44-55

Umarov Khojamakhmad, Ministry of Economy and Trade, Institute of Economic Research, Professor and Department Head of Macroeconomic Research

Dr. Haidar Odinaev, Ministry of Education, Deputy Minister, 27-57-01

Mr. N. Shoev, Ministry of Industry, Technological University, Vice Rector, 39-05-01

Meeting with the VET Reform Group, members of the group were from the Ministry of Labor, Ministry of Industry and Ministry of Education, two members from EU TACIS also attended.

USAID

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Other

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Directors of “Tajiktextile”, a joint-stock textile corporation